getting better every day

Parkland Income Fund 2003 Annual Report

Forward-Looking Statement This annual report includes forward-looking statements regarding Parkland Income Fund's operations, anticipated financial performance, business prospects and strategies. Forward-looking information may involve words such as "believe", "expect", "anticipate", or similar words implying future outcomes. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts and other forms of forward-looking information will not be achieved by Parkland Income Fund. Parkland Income Fund is under no obligation to update publicly or otherwise revise any forward-looking information.

In 2003, Parkland continued to enhance our customers' experience and to deliver exceptional returns for our unitholders.

An exciting highlight of the year has been the successful launch of the Fas Gas Plus stations – completely renovated Fas Gas locations that now offer customers a broader product and food offering at selected sites across western Canada. These upgrades to our network, growth in our convenience store division and positive fuel industry conditions all contributed to our record business performance in 2003. We're on track to maintain our strong performance in 2004. We strive to continue making positive changes to enhance our business and our future results. We truly are getting better every day.


AIR
ARCTIC GLACIER
Coca-Cola
LOTTERY TICKET CENTRE

convenient locations

Parkland started in 1977 with just one station, and in 2003 operated or supplied approximately 450 stations. Parkland's non-urban focus has been the foundation of its growth in the past and will be the cornerstore of its performance in the future.

friendly smiles

Being greeted by a friendly smile is what we strive for at all our sites every day. Our helpful staff from the local community assists our customers and encourages them to come back and see us again.


MapArt Publishing
Alberta
Road Atlas
Range &
Township
Roads
1st Edition
MapArt
Canada's Map Company

tasty treats

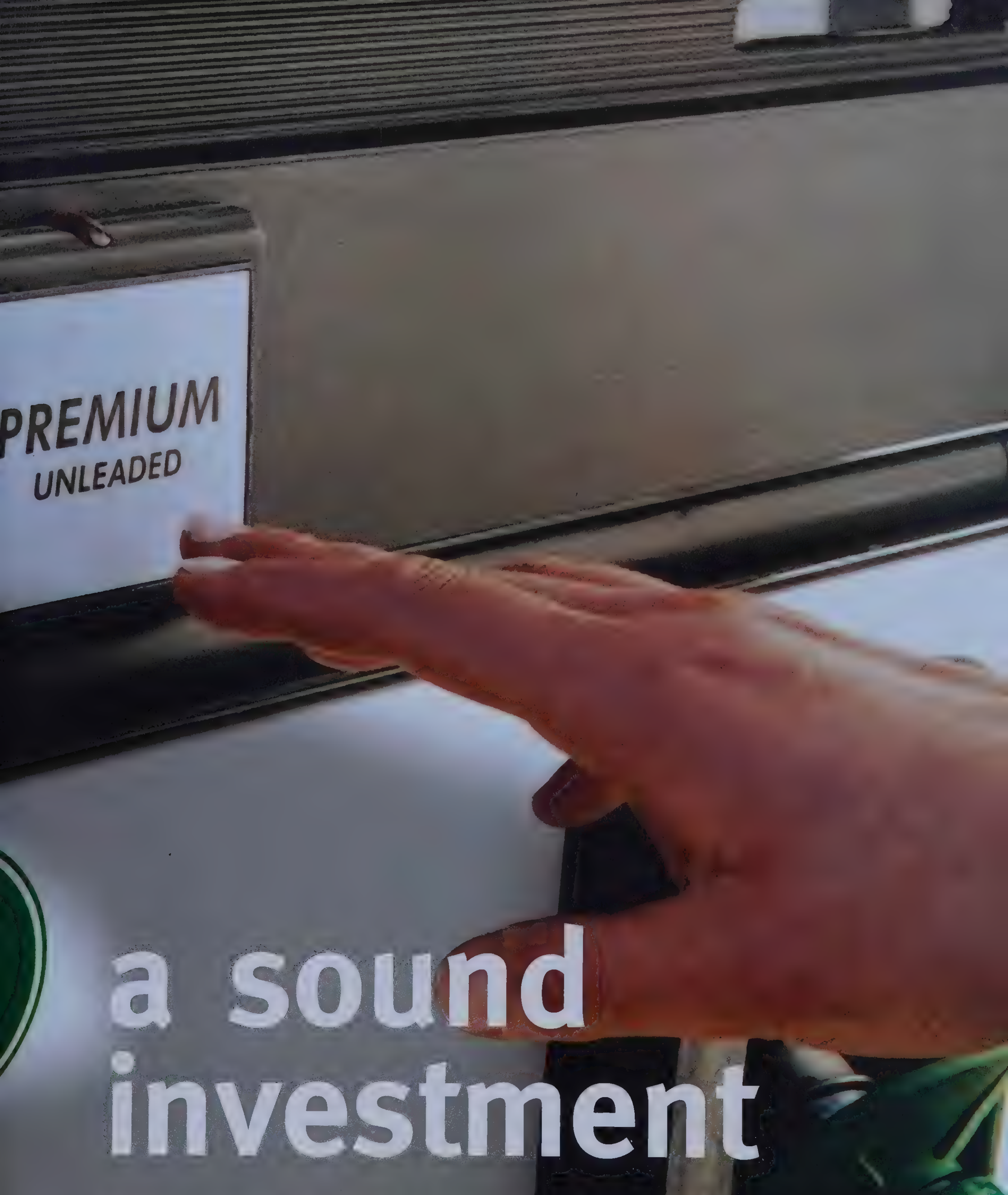
Our Short Stop Food Store network is a growing contributor to our business and offers one stop convenience 24 hours a day. Many of these sites offer fresh sandwiches and food service programs and a broad selection of hot and cold beverages, healthy snacks and tasty treats. Our stores are adding to our sales and profitability.


RACE TRAC
FUELS
Fleet Trac
CARDLOCK
PIC

professional fuel delivery

Our Petroleum drivers are known for professional fuel delivery and supporting positive customer relationships in our field. [illegible], a [illegible]-year employee, is pictured here at a [illegible] Cadillac. Cadillac and Fleet[illegible] programs are key components of the growing volumes in our RT Fuels wholesale business.


REGULAR
UNLEADED
MID GRADE
UNLEADED
87
OCTANE
89
OCTANE



a sound investment

Parkland's conversion to an income trust was a positive decision for its business. Parkland has delivered consistent business performance which has made Parkland a premium performer in the trust sector and a sound investment for income fund investors. Parkland remains committed to deliver consistent and sustainable distributions in the future.

Andrew B. Wiswell
President and CEO

For Parkland, 2003 was an outstanding year of strong results and excellent returns for our unitholders. EBITDA set a record at $28.8 million, market capitalization grew 53 percent to $230.0 million and unitholders' returns for the full year 2003 totalled over 60 percent. These results were supported by positive fuel industry conditions, an excellent income trust market, as well as management's implementation of our core strategies and key change initiatives. We truly are getting better every day.

Implementing our Strategy

We continued our focus on non-urban markets where Parkland has a loyal customer base, competition is generally less intense, real estate and operating costs are lower and margins tend to be more stable. We delivered growth in fuel sales volumes and increased merchandise sales from our convenience stores. We delivered on our commitment to pay consistent distributions of $0.14 per unit per month.

Delivering Positive Change

At the beginning of 2003, our management team identified five key initiatives for change that we believe will sustain and improve Parkland's ongoing positive performance. I am pleased to report we delivered on all of these initiatives.

First, we targeted to grow our volumes through the addition of new wholesale accounts. By the end of 2003, total volumes had increased from 897 million to 1.04 billion litres, an increase of 142 million litres or 15.8 percent. Second, we changed our Litre Log loyalty program to maintain its unique "cash back" features but deliver ongoing savings of $1.5 million per year. Next, we changed our operating mode to cold status at the Bowden Refinery which should deliver $1.0 million in annual savings. The fourth initiative was to broaden the capability of our Board and Management team. Financial expertise of the Board was strengthened through the addition of Kris Matthews, CMA, to our Board and Audit Committee. On the management side, we addressed our

needs in marketing and business development through the addition of Stewart MacPhail, an experienced executive who had previously spent 18 years with Shell. These people already have made positive contributions to our organization.

Our final initiative has the potential to revitalize our business and to drive significant incremental volume and in-store performance from our Fas Gas retail network. In the second quarter of 2003, we initiated a pilot project branded as "Fas Gas Plus" to renew the image of our retail service stations at six locations. This renewal included an external facelift and complete interior renovation coupled with a new merchandise offering, new standards of customer service and a new contract with the operator to share in-store revenues. We are adding ATMs and lottery sales to the majority of our locations and are extending our operations to 24 hours.

The average cost of the upgrade is approximately $225,000 per site, with one-half of these expenditures included in current year maintenance expense and the balance classified as maintenance capital. Early results from this six-site pilot program clearly exceeded expectations. Based on these positive results, we expanded the program and upgraded a total of 19 sites by year-end 2003. We continue to be very encouraged by these results and plan to expand this program by 18 sites in 2004.

Delivering Operational and Financial Performance

Our fuel and convenience store businesses both saw improved operational and financial performance. Strong growth in our wholesale fuels division contributed to increased overall sales volumes of 15.8 percent and an increase in total fuel gross margin of 6.9 percent. Merchandise sales from our convenience stores were up 41.6 percent over the course of 2003 and same-store sales for the full year increased by 22.0 percent as sites matured and our Short Stop offering became more established in the communities we serve. EBITDA grew to $28.8 million, an increase of 11.6 percent over calendar 2002.

Full Year-end December 31 (all figures in millions of dollars except if noted otherwise)	2003	2002	% Change
Fuel Volume (millions of litres)	1,039	897	15.8
Fuel Gross Margin	69.4	64.9	6.9
Merchandise Sales	31.3	22.1	41.6
Merchandise Gross Margin	8.0	5.7	37.9
Expenses	57.0	53.2	7.1
EBITDA	28.8	25.8	11.6

Trust Performance

Parkland converted to an Income Trust on June 28, 2002 and established its monthly distribution rate at $0.14 per unit. A total of $20.4 million was distributed to unitholders in 2003. Compared to EBITDA of $28.8 million, this represents a conservative payout ratio of approximately 71 percent. The Fund had annual obligations of approximately $1.0 million for capital taxes and interest on long-term debt. The balance of available cash flows were re-invested into operations in growth opportunities and maintenance capital expenditures.

The combination of strong financial performance by the Fund, consistent monthly distributions, and a strong investor interest in business income trusts produced exceptional returns for Parkland unitholders throughout the year. Total returns including distributions and unit appreciation exceeded 60 percent for the year ended December 31, 2003.

Looking Forward to 2004

Recognizing the success of our 2003 initiatives, we plan to build on our strong performance by maintaining our business direction into 2004. We plan to build four new convenience stores and have scheduled an additional 18 Fas Gas Plus site renewals. Growth capital is budgeted at $6.0 million with maintenance capital remaining at $5.5 million, consistent with 2003 levels. These amounts are largely discretionary and are scalable depending on operating cash flow. We will also

continue to seek out opportunities to grow our volumes, reduce our operating costs and improve our efficiency. One example of an initiative to drive volume is our new focus on our branding and marketing programs at our retail sites. On the cost and efficiency side, we are in the process of relocating our trucking base of operations from Red Deer to Edmonton to be closer to our primary fuel supply terminals.

In terms of acquisition activity, we continue to seek opportunities that are complementary to our existing business and will be accretive to existing unitholders. We expect our balance sheet to remain strong, even after funding growth capital with modest increases in debt. Given the current strong interest from the investment community, we believe larger acquisitions, if accretive, could be funded through a combination of debt and the issue of new units.

We would like to express our appreciation to the management team, our employees and associates, Directors and Trustees, all of our retailers and suppliers, and our retail and institutional investors for their commitment and support of Parkland over the past year. We look forward to continued success together.

Andrew B. Wiswell
President and CEO
March 2, 2004

In 2003, EBITDA set a record at $28.8 million, market capitalization grew 53 percent to $230 million, and unitholders' returns for the year totalled over 60 percent.

Parkland Businesses at a Glance

Division	Purpose	Number of Stores/Stations	Operating Model	2003 Revenue Contribution	2003 Accomplishments	2004 Objectives
Retail Fuels	Retail gas stations	164 Fas Gas 19 Fas Gas Plus 31 Short Stop	· Independent commissioned operator · Parkland owned/leased	50% 	· Launched Fas Gas Plus – 19 complete. · Improved Litre Log program.	· Complete 18 more Fas Gas Plus upgrades.
Merchandise	Retail convenience stores	31 Short Stop stores with Fas Gas fuel	Parkland owned and operated	6% 	· Opened 2 new stores. · Grew merchandise sales by 41.6%. · Increased profitability.	· Open 4 new stores. · Improve merchandising. · Improve food service.
Wholesale Fuels	Supplies fuel to branded independent service stations. Markets fuel to commercial customers and other wholesalers.	243 retail branded stations	Independently owned and operated	44% 	· Achieved volume growth of 150 million litres. · Established new supply agreement.	· Upgrade sites. · Drive higher profitability.
Other Businesses						
Bowden Refinery	Refines 6,500 barrels per day of condensate.		Operations suspended September 2001		· Changed operations to cold status. · Made progress with negotiations to sell Refinery to the Blood Tribe.	· Continue with progress to sell the Refinery.
Great Northern Oil	Whitehorse-based northern fuel stations (consignment and wholesale operations)		Parkland owned/ independents		· Achieved heating oil volume increases.	· Modest growth in volume and number of sites.
Petrohaul	Parkland's fuel transport business	37 long haul trucks and over 70 trailers	Parkland owned and operated		· Transported 800 million litres. · Travelled 9 million kilometres.	· Restructure/ relocate. · Grow profitability.


FAS GAS
WIN!


FAS GAS
PLUS
SELKIRK SIGNS


Fresh... Fast...


REQUIRE NEW CARD
ADDITIONAL CARDS
INFORMATION
UNLEADED
RACE TRAC GAS

Fas Gas

Parkland's retail fuels brand, Fas Gas, is the largest contributor to overall revenue from our 183 owned or long-term leased sites. In addition to the traditional Fas Gas station, customers will also find the Fas Gas brand at all 31 of Parkland's Short Stop Food Stores. In total, there are 214 retail Fas Gas fuel sites across western Canada.

With the exception of the Fas Gas brand at Company-operated Short Stop convenience stores, all Fas Gas sites are run by commissioned operators who sell fuel on a consignment basis, earn a per litre commission, provide on-site labour and manage in-store merchandise inventory. All operators use Fas Gas pricing and operating procedures, but control their own in-store merchandising activities.

The Fas Gas brand is well known in smaller markets and has been serving a loyal customer base since 1977. Fas Gas differentiates its offering through providing full service and the "Litre Log" customer loyalty program, which provides customers with a cash back redemption after a certain number of litres have been purchased. In addition to gasoline and diesel, Fas Gas also markets propane at 55 of its stations under its Gasex brand.

In 2003, Parkland undertook a major business initiative involving a pilot program to upgrade six Fas Gas sites. This initiative was undertaken to further enhance the quality and appearance of each facility and establish a higher standard of service both at the pumps and in the store. On average, approximately $225,000 was invested in each site identified for this renewal program. To differentiate the upgraded sites Parkland completed a re-branding of these sites using our green and yellow Short Stop store colours and the Fas Gas Plus name, and converted all sites to 24-hour operations. The marketplace has responded very positively to these sites, generating improved volume performance. In return for making the investment in the sites, Parkland has modified our contract with the operators to provide merchandising products and standards and now receives a share of the in-store sales.

While the performance of the individual pilot sites varied, the overall results were very strong. Both fuel volume and merchandise sales increased with the estimated annual rate of return on the new investment exceeding 20 percent. Based on these early results, Parkland initiated a second phase to the renewal program by upgrading 13 more sites, which were completed by December 31, 2003. Plans are underway to revamp an additional 18 sites to Fas Gas Plus in 2004 representing a total expenditure of approximately $4.0 - $4.2 million.

Short Stop Food Stores

Short Stop Food Stores is Parkland's chain of 24-hour convenience stores with fuel. This brand was launched in 1999 to provide customers with a broader selection of food and convenience products at existing Fas Gas locations where we were well positioned for fuel and convenience store sales growth. There are currently 31 Short Stop stores, many of which represent one of the few 24-hour stores in the smaller communities in which they operate.

The Short Stop operating model differs from the standard Fas Gas model in that the stores are Company-operated so Parkland maintains full control of the merchandise and service offering. The stores offer a wider variety of foods, beverages, nutritious snacks and convenience products together with services such as lottery terminals and automated teller machines. In selected markets, Short Stop stores provide customers with a choice of fresh sandwiches and hot food offerings.

Two new Short Stop stores were opened in 2003. Plans to add a total of four stores in 2003 were delayed due to permitting and land issues. We have a four store program planned for 2004.

Merchandise sales at Short Stop stores increased by 41.6 percent in 2003 compared to 2002, with same-store sales increasing by 22.0 percent. Gross margins from merchandise sales were consistent in the 26 percent range in both years. We expect merchandise sales to continue to grow by 15 percent annually and gross margins to trend higher as a result of improved sales mix and increasing vendor support.

We have an experienced team of convenience, food and merchandise sales professionals who evaluate and select sites, develop marketing programs, manage supplier relationships and oversee daily Short Stop operations. The sales growth has significantly enhanced wholesaler and supplier relationships which has resulted in improved costing, product selection and promotional support. Short Stop's growth and improving performance have assisted us in working with these suppliers to develop programs for Fas Gas Plus. We expect to continue to enhance this strong synergy between the two programs in the future.

RT Fuels

RT Fuels is Parkland's wholesale fuels business and has been the fastest growing division in recent years. RT Fuels has three main categories of customers: RT Fuels retail dealers, commercial customers and fuel resellers. Our retail branded station network is broadly represented across western and northern Canada.

RT Fuels sells and delivers fuel to 243 independent retail branded station dealers who operate their own sites. RT Fuels dealers are provided with a known retail brand, promotions, a proprietary fleetcard offering and

a Gold points loyalty program in exchange for a long-term contract to supply motor fuels. If required, Parkland will supply signage and fuel pumps on an on-loan basis. Parkland may also provide financing for fuel tanks and installations. Parkland's typical investment or loan amount in an individual station is $35,000 – $50,000 compared to $300,000 – $500,000 in a Fas Gas site, and approximately $800,000 in a Short Stop facility.

This lower investment results in attractive returns to Parkland even with a lower wholesale margin per litre. RT Fuels has developed a unique niche in dealing with these smaller accounts and its brand is recognized in the markets in which it operates.

RT Fuels also sells directly to commercial customers. Parkland supplies this group through nine cardlock facilities and direct deliveries to others who maintain their own tankage.

RT Fuels' other major customer group is resellers who in turn supply their own retail and wholesale customers. This customer group provides the lowest level of gross margins per litre but requires no on-site investment from Parkland. Resellers provide a significant market for incremental fuel volumes and contribution. During 2003, the Company added several major reseller accounts that were the primary drivers behind the 150 million litre volume increase in 2002.

Other Businesses

Great Northern Oil

Great Northern Oil (GNO) is Parkland's Whitehorse-based northern operation consisting of a network of retail outlets branded both as Fas Gas and RT Fuels. In addition, Parkland has a terminal which is primarily used for the storage and distribution of heating oil. GNO is one of the largest distributors of heating oil in the Yukon Territory, and has grown its heating oil business during 2003 due to increased demand resulting from cold weather and a growing customer base.

Currently we have 23 sites in the GNO network which are strategically located throughout the Yukon Territory, northern British Columbia and the Northwest Territories. Business is derived from seasonal tourist traffic, and as future energy development in the northern region of Canada continues to unfold, GNO is well positioned to serve these markets. GNO has a loyal group of commercial customers, and has been awarded a number of government tenders. Fuel supplies for this operation are trucked from Edmonton, Alberta and Fairbanks, Alaska utilizing Parkland's hauling division, Petrohaul.

Petrohaul

Petrohaul handles the majority of Parkland's fuel hauling requirements. Parkland owns and operates 37 long haul trucks and over 70 trailer units. Integrating fuel ordering and dispatch with site inventory management results in improved customer service and load efficiency. Petrohaul's professional drivers travelled more than nine million kilometres, delivering more than 800 million litres of fuel in 2003, while maintaining an enviable safety and incident track record.

Parkland Refining Ltd.

Parkland's Bowden Refinery is a 6,500 barrel per day plant which Parkland operated until September 2001. The Refinery uses condensate as a feedstock which has periodically been priced at a premium to crude oil in recent years, making it cheaper to purchase product through our supply contracts. The Fund has been working to sell the Refinery to the Blood Tribe of Standoff, Alberta, and during 2003 the parties agreed to an updated Letter of Intent. The Tribe is currently working on one of the key conditions to the transaction which is to obtain confirmation of its exemption from excise tax obligations. The financial terms of the transaction are confidential but would take the form of sharing ongoing streams of cash flow from the operations of the facility and the provision of services to the enterprise. Management estimates that these amounts would increase the Fund's cash flows by more than 20 percent from current levels.

There is no certainty that this sale will be completed and the timing is uncertain. Parkland is not dependent on the completion of this sale to deliver our targeted distributions but a successful sale would provide an attractive upside to unitholders. On the 2003 financial statements, the Bowden Refinery is classified as Assets Held for Sale.

Parkland's Management Team has over 125 years of experience
(left to right)
Bradley Williams, Jim Jones, Tim Rhodes, Andrew Wiswell, Stewart MacPhail, John Schroeder

Over the past 27 years, Parkland has established a strong system of corporate governance to ensure proper stewardship of our business.

Under the terms of an administration agreement, the management and administration of the Fund is delegated to Parkland Industries Ltd., a subsidiary of the Fund, and its Board of Directors. The fundamental responsibility of Parkland's Board is to oversee the management of the business, with a view to delivering consistent and growing unitholder returns and ensuring the Fund conducts its business in an ethical and legal manner through an appropriate system of corporate governance.

Chairman of the Board

The Chairman of the Board is Jack C. Donald. He has served on the Board since 1977, and brings extensive management experience in the retail and wholesale fuel markets. His primary responsibilities are to:

- Provide leadership to the Board of Directors;
- Oversee the Board's effectiveness and assure it meets its obligations and responsibilities;
- Monitor and co-ordinate the functions of the Board with Management to effectively maintain the separation of roles and responsibilities; and
- Provide advice and counsel to the President and Chief Executive Officer (CEO) respecting matters within the purview of the Board.

Board Independence

The Board of Directors is made up of seven members; six are independent and unrelated. The only related Director is Andrew B. Wiswell, President and Chief Executive Officer of Parkland Income Fund. The Board met five times in 2003 and had a 97 percent attendance rate.

Board Structure

Parkland has two committees, made up entirely of independent, unrelated Directors. These committees are: the Audit Committee, and the Human Resources and Corporate Governance Committee.

Audit Committee

The members of the Audit Committee are: James Pantelidis (Chair), Robert Brawn and Kris Matthews. All members are independent Directors and all are financially literate. The Chair is appointed by the Board of Directors. The Committee must meet at least four times per year.

Audit Committee Mandate

The Audit Committee has responsibility for assisting the Board in discharging its oversight responsibilities by overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial information. The committee will also review: the effectiveness of the company's internal financial control and risk management system; the effectiveness of the internal audit function; the independent audit process including recommending the appointment and assessing the performance of the external auditor; the company's process for monitoring compliance with laws and regulations affecting financial reporting, and, if applicable, its code of business conduct.

Authority

The Board authorizes the Audit Committee, within the scope of its responsibilities, to:

- Perform activities within the scope of its charter.
- Engage independent counsel and other advisers as it deems necessary to carry out its duties.
- Ensure the attendance of company officers at meetings as appropriate.
- Request and gain access to members of management, employees and any relevant information to perform its mandate.
- Establish procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters.
- Establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters.

- Approval of the appointment, compensation, retention and annual scope of work of the external auditor.
- Approve all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditors and, if required, the pre-approval of such non-audit work.

The primary responsibilities of the Audit Committee are:

Internal Control

- Understand the overall internal controls implemented by management.
- Assess the overall effectiveness of the internal control and risk management frameworks through discussions with management and external auditors and consider whether recommendations made by the external auditors have been implemented by management.

Financial Reporting

- Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial results.
- Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements and any news releases or announcements prior to their release.
- Review management's process for ensuring that information contained in analyst briefings and news announcements is consistent with published financial information.
- Meet with management and the external auditors to review the financial statements, the key accounting policies and judgments, and the results of the audit.
- Ensure that significant adjustments, material unadjusted differences, significant disagreements with management and critical accounting policies and practices are discussed with the external auditor.

Compliance with Laws and Regulations

- Review the effectiveness of the system for monitoring compliance with laws and regulations.
- Obtain regular updates from management regarding compliance matters that may have a material impact on the company's financial statements or compliance policies.
- Be satisfied that all regulatory compliance matters, related to the business of the company, have been considered by management in the preparation of the financial statements.
- Review the findings of material reports by regulatory agencies.

Working with Auditors

- Review the professional qualification of the auditors (including background and experience of partner and auditing personnel).
- Consider the independence of the external auditor and any potential conflicts of interest.
- Review on an annual basis the performance of the external auditors and make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditors.
- Review the external auditors' proposed audit scope of work and approach for the current year in the light of the company's present circumstances and changes in regulatory and other requirements.
- Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.

- Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed and appropriately acted upon.
- Discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure that the auditors have access to the Chairman of the Audit Committee when required.
- Review policies for the provision of non-audit services by the external auditors and, if required, the pre-approval of such non-audit work.
- Ensure the company follows regulations for hiring firm personnel for senior positions after they have left the audit firm.
- Review management's proposed internal control plan for the coming year and ensure that there is appropriate co-ordination with the external auditor.

Reporting Responsibilities

- Regularly update the Board about committee activities and make appropriate recommendations.
- Ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business.
- Prepare any reports required by regulations on the Audit Committee's mandate and activities to be included in the section on corporate governance in the annual report.

Evaluating Performance

- Evaluate the committee's own performance, both of individual members and collectively, on an annual basis.
- Assess the achievement of the duties specified in the mandate and report the findings to the Board.

Review of the Committee Chair

- Review the Audit Committee Mandate annually and discuss any required changes with the Board.
- Ensure that the mandate is approved or reapproved by the Board.

Human Resources and Corporate Governance Committee

The Human Resources and Corporate Governance Committee has responsibility for reviewing all human resources and compensation matters pertaining to the Executive and Senior Management, and all matters pertaining to the Fund's corporate governance activities. The members of the Human Resources and Corporate Governance Committee are: Alain Ferland (Chair), Robert Brawn and Joan Donald.

The primary responsibilities of the Human Resources and Corporate Governance Committee are to:

- Annually review the scope, duties and responsibilities of the Board and its members, Board Chair and Board committees and recommend any changes where advisable.
- Recommend the establishment or disbanding of Board committees.
- Recommend the appointment of Board committee members and committee chairs.
- Recommend candidates to fill Board, committee and committee chair vacancies.
- Recommend, when required, a candidate for appointment to the office of Board Chair.
- Maintain an ongoing succession plan for Board members that takes into consideration the desired composition of the Board; the strengths, skills and experience of current Directors, expected retirement dates; the strategic direction of the organization and the financial market's need for strong independent representation.

- Develop and maintain a process and criteria for identifying, recruiting and appointing new Directors.
  - recommend to the Board nominees for election to the Board at the Annual Meeting of Unitholders.
  - advise the Board when an issue of conflict or potential conflict arises which may result in the tendering of a resignation by a Director.
- Annually review Board corporate governance processes and recommend changes to the Board where appropriate. This includes but would not be limited to reviewing the following:
  - the strategic direction processes of the Board.
  - the processes for monitoring performance of the Board.
  - adequate number and duration of Board meetings.
  - the appropriateness of the annual schedule for regular agenda items for Board meetings.
  - the appropriateness of the information provided to Directors both before and during Board meetings.
- Ensure that all Directors receive the orientation and ongoing training necessary to effectively carry out their responsibilities.
- Maintain a summary of legislation and other developments affecting the duties and responsibilities of Directors. Review and approve the annual regulatory disclosure of corporate governance compliance, as required.

Robert G. Brawn

Mr. Brawn brings significant experience to Parkland's Board of Directors, having held various management roles with companies operating in the oil and gas industry. Mr. Brawn holds several directorships that span a variety of industries, including banking, energy, construction and retail. He is currently a director of ATB Financial, Acclaim Energy Trust, Forzani Group Ltd., The Churchill Corporation and Calgary Airport Authority.

Jack C. Donald

Mr. Donald is the founder of Parkland Income Fund, and served as its President and Chief Executive Officer since its establishment in 1977 to 2001. He is currently Chairman of the Board. Mr. Donald is also the Chairman of the Board of Canadian Western Bank and is a director of TransAlta Corporation, Ensign Resource Service Group Inc. and Sifton Energy. He is a recipient of The Canada Award for Business Excellence, and is the only marketer member of the Canadian Petroleum Hall of Fame.

Joan M. Donald

Mrs. Donald is the former Assistant Corporate Secretary of Parkland Industries Ltd., a position she held from 1977 to 2001. She is currently the Vice President of Parkland Properties Ltd. Mrs. Donald has served on Parkland's Board of Directors since January 1977. She is an active member of the Red Deer community and currently sits on the Board of STARS (the Alberta Shock Trauma Air Rescue Service Society and Foundation).

Alain Ferland

Mr. Ferland is the President of EFFA Management Inc. and has served on the Board since June 1999. He is Chairman of the Human Resources and Corporate Governance Committee. He also serves on the Board of EARTH Canada Corporation. Mr. Ferland has been President of Aéroports de Montréal, IPL Inc., Geneka Biotechnologies and prior to that was President of Ultramar Ltd.

Kris Matthews

Ms. Matthews has more than 20 years of experience providing accounting, financial and management consulting services to entrepreneurial enterprises. She is currently Principal of The Matthews Group. In 2002, she was awarded a Fellowship (FCMA) in recognition of her contributions to the community and the CMA profession. Her current directorships include the Society of Management Accountants of Alberta, Prime Restaurants Royalty Income Fund and several private corporations.

James Pantelidis

Mr. Pantelidis is currently President and CEO of J.P. and Associates. Prior to this, Mr. Pantelidis was President and CEO of the Bata International Organization. He also spent over 30 years in the petroleum industry, and was at one time President of both the Upstream and Downstream divisions of Petro-Canada. Mr. Pantelidis also serves as Chairman of Fishercast Global Corporation, Chairman of Consumers Waterheater Income Fund, and is on the Board of Industrial Alliance Insurance Company.

Andrew B. Wiswell

Mr. Wiswell earned his law degree and practiced corporate and commercial law before pursuing his MBA at the University of Western Ontario. He joined Gulf Canada and spent 16 years in management roles including Vice President, Marketing, Senior Vice President Finance and Chief Financial Officer. He also served as the first CFO of Athabasca Oil Sands Trust, now Canadian Oil Sands and later became President of ICG Propane. In 2001, he joined Parkland as President and Chief Executive Officer. Mr. Wiswell is a Director of the Canadian Petroleum Products Institute and Red Deer College.

The Trustees have responsibility to supervise the investments and conduct the affairs of the Fund. The Trustees have the responsibility to, among other things:

- Maintain the records of the Fund and provide reports to the unitholders;
- Supervise the activities and manage the investments and affairs of the Fund;
- Ensure that the restrictions for non-resident ownership of units and ownership of foreign property are met;
- Declare distributions on the units and effect payment of distributable cash to unitholders;
- Vote in favour of the Fund's nominees to act as Directors of Parkland;
- Issue units, including grants under the Unit Option Plan and administration of the Unit Purchase Plan;
- Keep informed on all material developments concerning the business of the Fund; and
- Assess the contribution of all Trustees annually.

Thomas H. Chapman

Mr. Chapman is Counsel to Chapman Riebeek, Barristers and Solicitors and was Secretary of Parkland Income Fund. Prior to being appointed a Trustee in June 2002, Mr. Chapman served on the Board of Parkland Industries Ltd. since January 1977.

Terry D. Lawrence

Mr. Lawrence brings extensive business experience to his role of Trustee of Parkland Income Fund. He is currently the President of Sheer Energy Inc., and has held other senior roles at a variety of energy production companies in Calgary. He is an active member of many local community groups and professional associations, including Rotary International and the Canadian Association of Petroleum Landmen. Prior to being appointed a Trustee in June 2002, Mr. Lawrence served on the Board of Parkland Industries Ltd. since July 1983.

David A. Spencer

Mr. Spencer is a Partner with Fraser Milner Casgrain LLP in Calgary, specializing in corporate finance, mergers and acquisitions and corporate governance. He is a director of Kids Up Front Foundation. He was appointed as a Trustee as part of the June 2002 re-organization into a Trust.

Environmental Initiatives

Parkland is committed to responsibly managing and protecting the environment in areas where we operate. The Fund drills and tests soil, and tests its tanks and lines prior to the purchase or lease of any new site. Ongoing monitoring is in place to oversee inventory balances at all retail stations and to provide early detection of any tank leakage. Cathodic protection systems to inhibit steel tank deterioration are also installed at stations. Parkland uses advanced environmental monitoring technology for specific testing, including a mobile unit that provides underground tank testing, as well as a truck-mounted drill for efficient, in-house soil testing. If remediation is required at our sites, our team, along with third party contractors and independent consultants, work to restore the site consistent with government standards. For longer-term remediation, we use vapour extraction systems to reduce soil contamination levels and meet standards.

Community Initiatives

Parkland is a customer-oriented organization, and as such believes that investing in the communities in which we operate is an important measure of our success. In 2003, we continued to provide resources, in the form of time and money, to projects that focus on three key areas of giving: health, education and youth initiatives. Parkland is an enthusiastic participant in the United Way campaign each year and also supports the "Make a Wish" Foundation, the Terry Fox Run and other similar events across western Canada.

Health – Parkland contributes to health initiatives in Alberta. Contributions have been made to the Alberta Heart & Stroke Foundation, the Canadian Cancer Society, Juvenile Diabetes, STARS Air Ambulance, the Red Deer Regional Hospital's Pediatric Unit and the Hospital's Capital Campaign for the purchase of an MRI unit.

Education – Parkland contributed to education initiatives throughout western Canada. Parkland sponsors 'subject' awards at high schools to recognize outstanding efforts in various areas of the school curriculum. Annual scholarships are offered to employees' children. In addition, Parkland supported the First Nations' scholarship program and Red Deer College's "Taking Charge of Tomorrow" capital fundraising campaign.

Youth – Parkland contributed to youth initiatives, mainly in the form of sponsorship or donations to sports teams, tournaments and other local programs. Many of our employees volunteer their time in recreation, coaching and working with charitable organizations in their communities.

The following discussion and analysis of the results of operations and financial condition of Parkland Income Fund should be read in conjunction with the audited Financial Statements for the year ended December 31, 2003.

Parkland Income Fund (the "Fund" or "Parkland") is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on April 30, 2002. The Fund was created to acquire the fuel marketing, convenience stores and related ancillary businesses formerly owned by Parkland Industries Ltd. This acquisition was completed on June 28, 2002 through a Plan of Arrangement that resulted in the previous Parkland Industries Ltd. shareholders indirectly exchanging their shares for Units in the Fund or Class B Limited Partnership Units in Parkland Holdings Limited Partnership ("LP Units"), a limited partnership controlled by the Fund.

The accounts for Parkland Industries Ltd. are included in the financial statements for the period July 1, 2001 to June 28, 2002 on a continuity of interests basis as if the Fund had existed since July 1, 2001. All per unit amounts have been restated to reflect the effective two for one split which occurred June 28, 2002.

Fiscal Periods

Consolidated Results

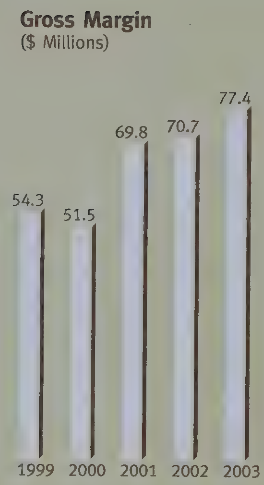
Net earnings for the year ended December 31, 2003 were $20.1 million ($1.66 per unit basic and $1.65 per unit diluted), as compared to $9.4 million ($0.78 per unit basic and diluted) for the six months ended December 31, 2002 and $11.9 million in the year ended June 30, 2002 ($1.08 per unit basic and diluted). The increased earnings in the most recent period are primarily attributable to the change from a six-month period to a full year.

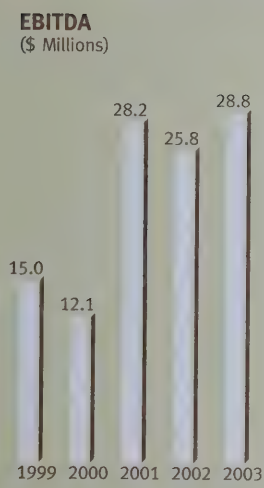
REVIEW OF OPERATIONS

Parkland's Business

As one of western Canada's largest independent fuel marketers, Parkland operates or supplies a total of 457 service stations as compared with 441 at December 31, 2002. The December 2003 total consists of 214 (2002 – 214) retail stations operated under the Fas Gas or Short Stop brands and 243 (2002 – 227) independently owned wholesale supply accounts operated under the RT Fuels brand. Products sold through the network of service stations include gasoline and diesel fuel as well as propane at selected sites.

Short Stop Food Stores, Parkland's branded convenience store chain being developed at select locations across western Canada, currently operates at 31 redeveloped locations. The Fund expects to add four more convenience store locations in 2004 as part of its growth strategy.





For the calendar years ended

Competition and Market Positioning

The wholesale and retail gasoline business is highly competitive, with margins ultimately dependent on the spread between crude oil and retail gasoline prices. Due to its focus on smaller markets, Parkland has limited exposure (12 percent of its retail sites) to the more competitive urban markets where the retail gasoline market is dominated by major oil companies and by more recent entrants such as grocery chains and large retailers. This non-urban focus means the Fund operates in markets where average sales volumes are lower but earnings are enhanced by more stable pricing and margins, lower operating costs and less expensive real estate.

Capital Assets

During the year ended December 31, 2003 the Fund made net investments of $9.3 million in capital assets. Key components of these expenditures were $1.8 million for new convenience stores, $2.1 million related to the capital components of the Fas Gas Plus upgrade program and $2.1 million related to ongoing replacement of its truck and trailer fleet.

In the six-month period ended December 31, 2002 the Fund adopted new accounting policies for goodwill and intangible assets as required by changes in relevant guidance in the CICA Handbook. As a result of this change, the Fund reversed $3.6 million of goodwill which was reported at June 30, 2002 and correspondingly decreased opening capital by a similar amount. Based on a historical review, the Fund expects that the most common intangibles acquired are customer lists, supply contracts and non-competition clauses which would typically be amortized over a three to five year period after the acquisition.

Income taxes

The tax provision of $0.3 million for the year ended December 31, 2003 consisted of capital taxes and changes in the future tax provision related to the refinery. For the six months ended December 31, 2002 the total tax provision was $1.2 million which included $1.0 million of income taxes paid by a subsidiary corporation on income retained within the corporation. As a result of the conversion to a trust structure, Parkland has been able to significantly reduce taxes payable as taxes on distributions are paid by the unitholders in the Fund or the LP.

Calendar Years

To be consistent with other income funds, the fiscal year end of the Fund was changed from June 30 to December 31 effective for the period ended December 31, 2002. As such, the comparative information included in the audited Financial Statements is for dissimilar periods. Additionally, the comparative Financial Statements for June 30, 2002

include significant provisions for income taxes which are generally no longer incurred in the Fund structure except to the extent earnings are not distributed to unitholders in a given year. Management believes the most relevant information for analyzing past results and providing insight into possible future results is a comparison of recent calendar year over year results before unusual items and income taxes. The following unaudited pro-forma information for the calendar years ending December 31, 2002 and 2001 has been compiled from previously issued quarterly financial results on this basis.

Years Ended December 31, ($000's except volume and per unit amounts)	2003	2002	2001
Sales Volumes (millions of litres)	1,039	897	903
Net Sales and Operating Revenues	$ 567,226	$ 471,730	$ 471,773
Cost of Sales and Operating Expenses	489,804	401,020	401,942
Gross Margin	77,422	70,710	69,831
Expenses			
Marketing, general and administrative	48,574	44,932	41,594
Amortization of fixed assets	7,533	7,483	8,277
Interest on long-term debt	897	800	832
	57,004	53,215	50,703
Earnings Before Unusual Items and Income Taxes	$ 20,418	$ 17,495	$ 19,128
Per Unit – Basic	$ 1.68	$ 1.47	$ 1.75
– Diluted	$ 1.67	$ 1.47	$ 1.67
EBITDA	$ 28,848	$ 25,778	$ 28,237

Non-GAAP Financial Measures

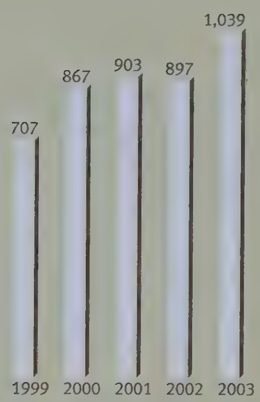
In this document, there are references to non-GAAP financial measures such as EBITDA and Cash Available for Distribution. EBITDA refers to Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization and can be so calculated from the GAAP amounts included in the Fund's financial statements. Management believes that EBITDA is a relevant measure to users of its financial information as it provides an indication of pre-tax earnings available to distribute to debt and equity holders in the Fund. The Fund's definition of EBITDA may not be consistent with other providers of financial information and therefore may not be comparable.

Cash Available for Distribution is defined in the Fund's Trust Deed and generally represents the cash available to be distributed to the Fund's unitholders. Cash Available for Distribution is calculated as cash flow from operations less interest expense, current income taxes and maintenance capital expenditures. Cash flow from operations, interest expense and current income taxes are GAAP measures. Maintenance capital represents capital expenditures made by the Fund to maintain its current business operations. Maintenance capital differs from growth capital, which is used to expand the Fund's business operations.

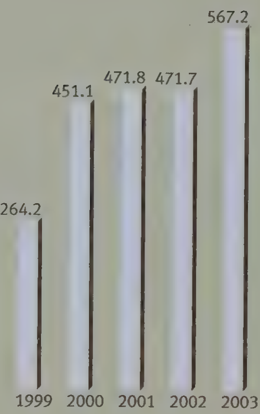
Financial Results

On a comparable calendar year basis the net earnings before tax were $20.4 million, up from $17.5 million in 2002. Higher fuel volumes, consistent fuel margins and increased convenience store sales and margins all contributed to higher gross margins in 2003. These increased margins were offset by a $3.6 million increase in expenses over 2002. Consistent with the increase in net earnings, EBITDA in 2003 increased by $3.1 million over 2002.

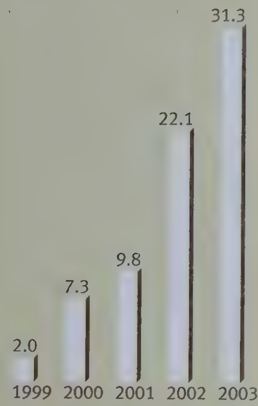
Sales Volumes
(Millions of Litres)



Sales Revenue
($ Millions)



Merchandise Sales
($ Millions)



For the calendar years ended

Volumes

Gasoline and diesel volumes in 2003 increased by 142 million litres, primarily as a result of new wholesale customers acquired early in the year as a result of the exit by a competitor from the marketplace. Excluding any acquisitions, fuel volumes are not expected to deliver this level of growth in 2004. Retail volumes are driven by the number of stations in operation, general business and economic conditions, weather and competitive conditions in certain markets. The Fund expects the Fas Gas Plus initiative to deliver modest volume growth at the upgraded sites. Wholesale volumes are more dependent on general industry supply and demand conditions.

Sales Revenue

Sales for the year ended December 31, 2003 were $567.2 million, a 20.2 percent increase over 2002 revenue of $471.7 million. Fuel sales revenue varies with overall average crude prices, retail and wholesale margins and volumes. In 2003, fuel sales revenue increased to $535.9 million from $449.7 million as a result of volume increases and average crude prices which increased approximately $0.02 per litre over 2002. Convenience store merchandise sales also increased with sales of $31.3 million in 2003 as compared to $22.1 million in 2002. Convenience store merchandise sales were up as a result of additional stores in operation, and an increase of 22.0 percent in same-store sales over the prior year.

Cost of Sales

Fuel cost of sales increased to $466.6 million in 2003 as compared to $385.7 million in the year ended December 31, 2002. Similar to sales revenue, cost of sales increased as a result of higher volumes and higher average per litre costs of fuel products. Convenience store merchandise cost of sales increased to $23.3 million in 2003 from $16.3 million in 2002.

Margins

In aggregate, these factors resulted in gross margins of $77.4 million in 2003, which was $6.7 million higher than the $70.7 million achieved in 2002. The maturing of the new convenience stores, ongoing expansion of the convenience store network and the sharing of non-fuel revenue at the Fas Gas Plus sites will reduce the Fund's dependence on fuel margins.

A key driver to margins is the Fund's ability to competitively purchase both fuel and convenience store merchandise. As one of the largest independent fuel retailers in western Canada, the Fund has established

positive relationships with the key fuel suppliers in its market area and is currently in the seventh year of a long-term contract with its principal supplier. To meet sales growth, the Fund entered into a significant contract with an additional supplier in 2003. The contracts provide the Fund with a consistently available source of supply at competitive prices. Additionally, the growth in the convenience store network has improved the Fund's relationships with wholesalers and merchandise suppliers, providing better pricing, increased incentives and additional promotional support.

Expenses

Marketing, general and administrative expenses were $48.6 million for the year ended December 31, 2003, an increase of 8.2 percent over 2002 expenses of $44.9 million. A significant component of the increase is convenience store operating costs, which increased to $11.9 million in 2003 from $9.4 million in 2002. These expenses include labour and other costs related to fuel retailing at the new convenience stores which were incurred in prior periods but were included as fuel marketing expenses.

The Fund also incurred $1.6 million in maintenance expenses related to the Fas Gas Plus upgrade program. Although portions of the Fas Gas Plus program are recorded as maintenance capital there are significant components which represent maintenance expenses. These expenses are discretionary and are generating improved results at the upgraded sites.

Also included in marketing, general and administrative expenses for the 2003 calendar year are $935,000 for environmental remediation costs as compared to $838,000 in 2002. As the Fund redevelops a site with a new Short Stop convenience store, it is our policy that all contamination from previous operations be removed prior to reconstruction. In 2003, the Fund decided not to renew leases at some marginal sites and remediation costs were incurred. In addition, $400,000 was accrued for anticipated remediation costs on properties that are expected to be vacated in 2004. Overall, it is expected that total environmental expenditures will be lower in 2004.

Capital Assets and Amortization

On a calendar year basis amortization remained consistent at $7.5 million. Increases in amortization related to capital expenditures have been offset by decreases in the amortization of goodwill, which was discontinued for the fiscal period commencing July 1, 2002.

During 2003, the Fund expended $9.3 million in net capital, of which $5.9 million was classified as maintenance capital and $3.4 million was classified as growth capital. In total, our maintenance capital expenditures were higher than our normal ongoing maintenance ($3.2 million) as approximately $2.1 million was capitalized as part of the Fas Gas Plus upgrade program. These expenditures were discretionary but are expected to generate additional cash flows in future years. Growth capital related primarily to the building of two new Short Stop convenience stores and investments in new retail and wholesale service station sites.

Parkland owns 120 of the sites utilized in the Fas Gas and Short Stop retail chains, an industrial property in Red Deer, Alberta used as a trucking base and maintenance facility, and a fuel terminal facility in Whitehorse, Yukon.

Parkland runs its own fleet of trucks to meet its fuel hauling needs. The majority of its 37 power units are owned by the Fund, as well as more than 70 trailer units. Included in 2003 maintenance capital expenditures are $2.1 million (2002 – $0.6 million) related to the on-going renewal of its truck fleet.

On December 16, 1998 the Fund accepted an offer to purchase its refinery in Bowden, Alberta from the Blood Tribe/Kainaiwa Specific Claim Trust No. 1 of Standoff, Alberta. Activity is continuing on the sale with an updated Letter of Intent signed in October 2003. The Tribe is currently working on one of the key remaining conditions to the transaction which is to obtain confirmation of its exemption from excise tax obligations. Should all

conditions be met and the sale proceed, Parkland would realize proceeds from the sale of the refinery assets over 15 years out of the ongoing cash flows from the refinery operation.

Operations at the refinery have been suspended since September 2001 as a result of a continuing premium for the condensate feedstock used by the refinery relative to the price of crude oil. In 2003 the Fund incurred additional costs to put the refinery in a "cold" status. On an ongoing basis, it is expected that the costs of maintaining the refinery in its current condition will be $800,000 per year as compared to the $2.6 million which was incurred in 2003.

Should the sale not be consummated the Fund would pursue alternative uses for this site. If no economically viable alternative use could be determined, the Fund may have to decommission this site at some future date. In this event it is estimated by third parties that closure and site remediation costs would exceed salvage values of the site by not more than $3.0 million. These costs would be incurred over a number of years and would be offset by savings related to the elimination of annual costs currently incurred to maintain the facility.

Interest

For the year ended December 31, 2003 interest on long-term debt was $897,000 as compared to $800,000 for the year ended December 31, 2002. Debt levels have remained comparable but interest costs have increased as a result of higher interest rates. Approximately 87 percent of the Fund's long-term debt bears interest at variable rates linked to prime.

Quarterly Financial Information

($000's except per share amounts)

Three Months Ended	March 31	June 30	September 30	December 31
2003				
Net sales and operating revenues	$ 128,688	$ 140,253	$ 164,070	$ 134,215
Earnings before income taxes	$ 2,969	$ 6,228	$ 8,762	$ 2,459
Net earnings	$ 3,005	$ 6,175	$ 8,563	$ 2,392
Earnings per share – diluted	$ 0.25	$ 0.51	$ 0.70	$ 0.20
2002				
Net sales and operating revenues	$ 88,284	$ 123,219	$ 141,004	$ 119,223
Earnings before income taxes	$ 924	$ 5,939	$ 7,595	$ 3,037
Net earnings	$ 774	$ 3,908	$ 7,475	$ 1,938
Earnings per share – diluted	$ 0.07	$ 0.35	$ 0.62	$ 0.16

The quarterly financial information demonstrates typical seasonal trends in the Fund's business. In the first quarter, gasoline demand is relatively weak which causes excess supply and depressed market conditions. The second and third quarters significantly improve with spring and summer driving seasons and increased industrial and farm activity creating higher demand, while the fourth quarter usually generates more normal performance. In 2003, the Fund realized higher than expected results in the first quarter as a result of fuel margins being higher than those typically experienced during that season. There have been no changes in the Fund's business that would indicate this seasonality will not continue in future periods. This seasonality is not expected to affect the Fund's ability to pay consistent distributions throughout the year.

Liquidity and Capital Resources

Working Capital

Parkland had a negative working capital of $0.2 million at December 31, 2003 as compared to a positive $3.1 million at December 31, 2002. The decrease is primarily the result of working capital being used to fund capital expenditures made during the period and payments on existing term debt. The Fund continues to have strong operating cash flow to service its distribution commitments. The cash balance at December 31, 2003 of $2.7 million is comparable to the December 31, 2002 balance of $2.6 million.

Financing Activities

In the year ended December 31, 2003 Parkland decreased its long-term debt by $2.5 million as a result of normal repayment of existing term debt offset by new capital leases of $568,000. At December 31, 2003 Parkland had $15.1 million in long-term debt (including current portions) which is 0.52 times trailing EBITDA. Management believes that cash flow from operations will be adequate to fund maintenance capital, interest, miscellaneous taxes and targeted distributions. Growth capital expenditures in 2003 have been funded by existing cash balances and cash flow from operations but it is management's intent on an on-going basis to finance discretionary growth capital through debt or the issue of additional units.

Dividends and Distributions

Commencing in July 2002 the Fund established a monthly distribution policy whereby holders of record on the last business day of a month would receive a distribution on the 15th, or last business day prior to the 15th, of the following month. The monthly distribution amount remained consistent at $0.14 per unit from July 2002 through December 2003 resulting in total annual distributions of $20.4 million. Although it is typical for the Fund's cash flow to have seasonal fluctuations, it is management's current intention to pay consistent distributions throughout the year based on estimated annual cash flows. Actual performance and forecasts are reviewed regularly throughout the year to assess business conditions and the appropriateness of the distribution amount.

Coincident with the conversion to an income fund on June 28, 2002, Parkland paid a special distribution of $1.00 per share ($0.50 per unit) to the Parkland shareholders who exchanged their shares.

Business Risks

Retail Pricing and Margin Erosion

Retail pricing for motor fuels is very competitive, with major oil companies and new entrants such as grocery chains and large retailers active in the marketplace. From time to time, factors such as competitive pricing, seasonal over-supply and lack of responsiveness of retail pricing to changes in crude oil costs can lead to lower margins in our business at certain times of the year or in certain market areas.

Environmental

The operation of service stations, refinery facilities and petroleum transport trucks carry an element of environmental risk. To prevent environmental incidents from occurring, the Fund has extensive environmental procedures and monitoring programs at all of its facilities. To mitigate the impact of a major accident, Parkland has emergency response programs in place and provides employees with training in operational responsibilities in the event of an emergency.

Economic Conditions

Demand for transportation fuels fluctuates to a certain extent with economic conditions. In a general economic slowdown there is less recreational and industrial travel and consequently less demand for fuel products, which may adversely affect the Fund's revenue, profitability and ability to pay distributions. A stronger Canadian dollar may affect tourism and travel by U.S. visitors in the summer months.

Technology

Industry continues to develop alternatives to fossil fuels for motive transport and continues to improve the efficiency of internal combustion engines. To date, no economically viable alternative to the transportation fuels the Fund markets is widely available. Should such an alternative become widely available, it may negatively affect the demand for the Fund's products.

Dependence on Key Suppliers

The Fund's business depends to a large extent on a small number of fuel suppliers, some of which are parties to long-term supply agreements. An interruption or reduction in the supply of products and services by such suppliers could adversely affect the Fund's revenue and distributions in the future.

Management's Responsibility for Financial Statements

The accompanying financial statements of Parkland Income Fund have been prepared by management in accordance with generally accepted accounting principles. Parkland's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Fund is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality. Further, management is satisfied that the financial information throughout the balance of this annual report is consistent with the information presented in the financial statements.

Heywood, Holmes & Partners LLP have been appointed by the unitholders of Parkland to serve as the Fund's external auditors. They have examined the financial statements of the Fund for the years ended December 31, 2003 and June 30, 2002 and the six months ended December 31, 2002.

The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the information contained in the financial statements of Parkland which are included in this annual report.

John G. Schroeder
Vice President and CFO
Red Deer, Alberta
January 30, 2004

Kelly G. Collier
Controller, Retail
Red Deer, Alberta

To the Unitholders of Parkland Income Fund We have audited the consolidated Balance Sheets of Parkland Income Fund as at December 31, 2003 and 2002 and the consolidated Statements of Earnings, Retained Earnings and Unitholders' Capital and Cash Flows for each of the years ended December 31, 2003 and June 30, 2002 and the six month period ended December 31, 2002. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2003 and 2002 and the results of its operations and cash flows for each of the years ended December 31, 2003 and June 30, 2002 and for the six months ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

Heywood Holmes & Partners LLP

Chartered Accountants
Red Deer, Alberta
January 30, 2004

Consolidated Balance Sheet

($000's)	December 31, 2003	December 31, 2002
Assets		
CURRENT ASSETS		
Cash	$ 2,717	$ 2,647
Accounts receivable	15,660	15,511
Inventories	19,472	18,877
Future income taxes	–	134
Prepaid expenses	1,637	1,285
	39,486	38,454
Other	3,075	3,646
Capital assets (Note 2)	63,705	61,923
Assets held for sale (Note 3)	22,086	22,142
	$ 128,352	$ 126,165
Liabilities		
CURRENT LIABILITIES		
Accounts payable	$ 35,140	$ 29,684
Corporate taxes payable	–	978
Long-term debt – current portion (Note 4)	4,555	4,661
	39,695	35,323
Long-term debt (Note 4)	10,582	13,000
Site restoration accrual	502	245
Future income taxes	6,658	6,559
	57,437	55,127
Unitholders' Capital		
Class B Limited Partners' Capital (Note 5)	31,598	32,654
Unitholders' Capital (Note 5)	39,317	38,384
	70,915	71,038
	$ 128,352	$ 126,165

Consolidated Statement of Earnings

($000's except per unit amounts)	12 Months December 31, 2003	6 Months December 31, 2002	12 Months June 30, 2002
Net sales and operating revenues	$ 567,226	$ 260,228	$ 442,559
Cost of sales and operating expenses	489,804	222,303	371,047
Gross margin	77,422	37,925	71,512
Expenses			
Marketing, general and administrative	48,574	23,153	43,926
Amortization	7,533	3,678	7,668
Interest on long-term debt	897	462	793
	57,004	27,293	52,387
Earnings before income taxes	20,418	10,632	19,125
Income taxes (Note 6)			
Current	50	1,019	6,430
Future	233	200	804
	283	1,219	7,234
Net earnings	$ 20,135	$ 9,413	$ 11,891
Net earnings per unit – basic	$ 1.66	$ 0.78	$ 1.08
Net earnings per unit – diluted	$ 1.65	$ 0.78	$ 1.08

Consolidated Statement of Retained Earnings and Unitholders' Capital

($000's)	12 Months December 31, 2003	6 Months December 31, 2002	12 Months June 30, 2002
Retained earnings, beginning of period	$ –	$ –	$ 50,059
Net earnings	20,135	9,413	11,891
Allocation to Class B Limited Partners	(9,104)	(4,760)	(33,772)
Allocation to Unitholders	(11,031)	(4,653)	(25,123)
Dividends paid	–	–	(1,093)
Future tax recovery on reorganization	–	–	897
Reorganization costs, net of current tax of $737	–	–	(2,859)
Retained earnings, end of period	–	–	–
Class B Limited Partners' Capital			
Balance, beginning of period	32,654	42,952	–
Prior period adjustment (Note 9)	–	(2,053)	
Balance, beginning of period as restated	32,654	40,899	–
Allocation of retained earnings	9,104	4,760	33,772
Issued upon exchange of common shares	–	–	12,645
Distribution to Partners	(9,213)	(5,151)	(3,465)
Exchanged for Fund Units	(947)	(7,854)	–
Balance, end of period	31,598	32,654	42,952
Unitholders' Capital			
Balance, beginning of period	38,384	32,452	–
Prior period adjustment (Note 9)	–	(1,540)	
Balance, beginning of period as restated	38,384	30,912	–
Allocation of retained earnings	11,031	4,653	25,123
Unit option compensation	29	–	–
Fund Units issued	89	–	–
Issued upon exchange of common shares	–	–	9,407
Distribution to Unitholders	(11,163)	(5,035)	(2,578)
Units issued as special compensation	–	–	500
Exchange of Limited Partnership Units	947	7,854	–
Balance, end of period	39,317	38,384	32,452
	$ 70,915	$ 71,038	$ 75,404

Consolidated Statement of Cash Flows

($000's)	12 Months December 31, 2003	6 Months December 31, 2002	12 Months June 30, 2002
Cash Provided By (Used For) Operations			
Net earnings	$ 20,135	$ 9,413	$ 11,891
Add non-cash items			
Amortization	7,533	3,678	7,668
Future taxes	233	200	804
Cash flow from operations	27,901	13,291	20,363
Net changes in non-cash working capital (Note 10)	3,382	(11,775)	4,294
Cash from operating activities	31,283	1,516	24,657
Financing Activities			
Proceeds from long-term debt	568	476	10,285
Long-term debt repayments	(3,092)	(1,760)	(9,809)
Fund Units issued	118	–	–
Proceeds of share issue	–	–	5,410
Reorganization costs, net of tax	–	–	(2,859)
Repurchase of shares	–	–	(80)
Special compensation units	–	–	500
Distributions to Class B Limited Partners	(9,213)	(5,151)	(3,465)
Distributions to Unitholders	(11,163)	(5,035)	(2,578)
Dividend payments	–	–	(1,093)
Cash (used for) financing activities	(22,782)	(11,470)	(3,689)
Investing Activities			
Investment in other assets	571	(97)	(120)
Purchase of fixed assets	(9,917)	(6,565)	(11,089)
Proceeds on sale of fixed assets	658	731	903
Site restoration accrual	257	(115)	205
Cash (used for) investing activities	(8,431)	(6,046)	(10,101)
Increase (decrease) in cash	70	(16,000)	10,867
Cash and Cash equivalents, beginning of period	2,647	18,647	7,780
Cash and Cash equivalents, end of period	$ 2,717	$ 2,647	$ 18,647

DECEMBER 31, 2003

Dollar amounts presented in tables are in thousands, except per unit information

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Parkland Income Fund (the "Fund" or "Parkland") is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on April 30, 2002. The Fund was created to acquire the fuel marketing, convenience store and related ancillary businesses formerly owned by Parkland Industries Ltd. This acquisition was completed on June 28, 2002 through a Plan of Arrangement that resulted in the previous Parkland Industries Ltd. shareholders indirectly exchanging their shares for Units in the Fund or Class B Limited Partnership Units in Parkland Holdings Limited Partnership ("LP Units"), a limited partnership controlled by the Fund.

The accounts for Parkland Industries Ltd. are included for the period July 1, 2001 to June 28, 2002 on a continuity of interests basis as if the Fund had existed since the beginning of the year.

Principles of Consolidation

The consolidated financial statements include the accounts of all wholly owned subsidiaries, partnerships and trusts. All significant accounts and transactions between consolidated entities are eliminated. The excess of the consideration paid for the investments in subsidiary entities over the underlying net book values at the dates of acquisition is attributed to the related assets acquired and is amortized over the life of these assets.

The LP Units are, to the greatest extent possible, the economic equivalent to a Unit in the Fund. They are exchangeable by the holder on a one-for-one basis into Units in the Fund until June 30, 2008. In certain circumstances, and at any time after June 30, 2008, the Fund may compel the exchange of the LP Units. As such, the LP Units are treated as being equivalent to Fund Units.

Use of Estimates

The preparation of the financial statements necessarily involves the use of estimates and approximations. Should the underlying assumptions change, the actual amounts could differ from those estimated.

Estimates are used when accounting for items such as allowance for doubtful accounts, amortization and site restoration accruals.

Inventories

The Fund values its inventories at the lower of cost and market value. The Fund uses the last-in, first-out (LIFO) method of determining the cost of product inventory.

Amortization

Amortization is provided for on a straight line basis over the estimated useful lives of assets at the following annual rates:

Land improvements	4%
Buildings	5%
Equipment	10%
Assets under capital lease	10%

Assets held for sale are not subject to amortization.

Income Taxes

Income earned directly by the Limited Partnership is not subject to income taxes as its income is taxed directly to the Limited Partnership unitholders. Income earned in the Fund and distributed to the Fund unitholders is taxed directly to the Fund unitholders. Income taxes incurred by taxable entities controlled by the Fund and those incurred prior to the formation of the Fund are accounted for using the future method. Under this method, the Fund recognizes a future tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflow. Similarly, the Fund recognizes a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions.

Current future income tax assets or liabilities arise due to the difference in measurement of product inventories using the LIFO method for accounting purposes and the first-in, first-out (FIFO) method for income tax purposes. Long-term future tax liabilities arise primarily due to the provision for amortization for income tax purposes exceeding the amount recorded in the accounts.

Long-Term Debt

Capital lease obligations, which relate to transactions which are similar in nature to a purchase, are capitalized and included in long-term debt.

Site Restoration

Site restoration costs are based on engineering estimates taking into account alternative procedures consistent with legal requirements, industry practices and available technology.

Estimated site restoration costs of acquired sites are recorded at date of acquisition and actual costs are charged to the accumulated provision as incurred. Estimated site restoration costs for a site are also accrued at the time an exit decision is made for that site. Site restoration costs of existing sites are charged to operations in the year incurred.

Earnings Per Unit

Effective June 28, 2002, the outstanding shares of Parkland Industries Ltd. were exchanged for either two Fund units or two LP Units.

Basic earnings per unit is calculated on the weighted average number of units outstanding for the period, adjusted for the effective 2 for 1 split.

Diluted earnings per unit are calculated by application of the Treasury Stock Method. Under this method, the units are calculated based upon the weighted average number of units outstanding for the period plus the dilutive effect of the exercise of those employee stock options which were "in-the-money" during the period.

Revenue

Net sales and operating revenue are recorded net of provincial fuel taxes. The Fund recognizes revenue on its sale of goods when title passes to the purchaser.

Grants of Options

The Fund accounts for its grants of options in accordance with the fair value based method of accounting for stock based compensation.

Cash and Cash equivalents

Cash and cash equivalents are the net of Cash and Bank indebtedness.

1. EARNINGS ANALYSIS AND EARNINGS PER UNIT

	12 Months December 31, 2003	6 Months December 31, 2002	12 Months June 30, 2002
Earnings before tax	$ 20,418	$ 10,632	$ 19,125
Income taxes			
Current	50	1,019	6,430
Future	233	200	804
Total income taxes	283	1,219	7,234
Net earnings	$ 20,135	$ 9,413	$ 11,891
Earnings per unit – basic	$ 1.66	$ 0.78	$ 1.08
– diluted	$ 1.65	$ 0.78	$ 1.08

	December 31, 2003	December 31,2002	June 30, 2002
Equivalent units outstanding, beginning of period	12,126,713	12,126,713	10,930,176
Weighted average of equivalent units issued pursuant to distribution reinvestment plan	1,780	–	–
Weighted average of equivalent units repurchased pursuant to normal course issuer bid	–	–	(9,958)
Weighted average of equivalent units issued pursuant to exercise of employee stock options	–	–	78,382
Weighted average of units issued as special compensation	–	–	229
Denominator utilized in basic earnings per unit	12,128,493	12,126,713	10,998,829
Incremental equivalent units outstanding that were "in-the-money"	107,310	–	–
Denominator utilized in diluted earnings per unit	12,235,803	12,126,713	10,998,829

2. CAPITAL ASSETS

DECEMBER 31, 2003

	Cost	Accumulated Amortization	Net Book Value
Land	$ 13,317	$ –	$ 13,317
Land improvements	5,886	1,709	4,177
Buildings	20,412	7,811	12,601
Assets under capital lease	11,011	4,010	7,001
Equipment	56,039	29,430	26,609
	$ 106,665	$ 42,960	$ 63,705

DECEMBER 31, 2002

	Cost	Accumulated Amortization	Net Book Value
Land	$ 13,350	$ –	$ 13,350
Land improvements	5,675	1,506	4,169
Buildings	20,337	7,205	13,132
Assets under capital lease	10,591	2,957	7,634
Equipment	49,413	25,775	23,638
	$ 99,366	$ 37,443	$ 61,923

3. ASSETS HELD FOR SALE

In October 2003, the Fund agreed to an updated Letter of Intent to sell its refinery to the Blood Tribe / Kainaiwa Specific Claim Trust No. 1 of Standoff, Alberta. The Tribe is currently working on one of the key remaining conditions to the transaction which is to obtain confirmation of its exemption from excise tax obligations. Should the remaining conditions be satisfied, the Fund would receive proceeds from the sale of the refinery assets out of the refinery cash flows realized subsequent to the sale. The total gain realized on the sale will be contingent on the amount of such cash flows.

Operations at the refinery have been suspended since September, 2001, pending the completion of the Blood Tribe sale.

If the Blood Tribe sale is not completed the Fund will pursue alternative uses for the refinery assets. The fair value of the refinery assets under these circumstances could vary significantly from the carrying value or the negotiated selling price with the Blood Tribe.

The Fund has segregated assets held for sale in the December 31, 2003 balance sheet and has reclassified the December 31, 2002 balance sheet to consistently reflect this item. The accounting change does not affect operations or cash flows.

4. LONG-TERM DEBT

	December 31, 2003	December 31, 2002
Bank loan secured by an assignment of accounts receivable, inventories and demand debentures creating a first fixed charge over specific fixed assets and floating charge upon all other assets. The loan is repayable in monthly installments of $37,600 including interest at prime plus 0.35 percent. The effective interest rate at year end was 4.85 percent (2002 – 4.85 percent). The loan matures November 30, 2006.	$ 1,188	$ 1,565
Mortgages payable in monthly installments totaling $127,253 including interest. Interest rates vary from 7.5 percent to 8.5 percent and prime plus 0.7 percent to prime plus 3.0 percent per annum. The effective rates of interest at the year end for the prime based loans were 5.2 percent to 7.5 percent (2002 – 5.2 percent to 7.5 percent). The mortgages are secured by real properties with a net book value of $9,730,000 and mature at various dates ending April 27, 2009.	7,007	8,082
Capital leases payable in monthly installments totaling $157,675 including interest varying from 4.90 percent to 10.70 percent and prime plus 0.35 percent per annum. The effective rate of interest at the year end for the prime based leases was 4.85 percent (2002 – 4.85 percent). The leases are for equipment with a net book value of $7,001,000 and mature at various dates ending October 25, 2006.	6,702	7,607
Unsecured notes repayable in monthly installments totaling $15,625. The notes are discounted at 6.0 percent per annum.	240	407
	15,137	17,661
Less current portion	4,555	4,661
	$ 10,582	$ 13,000

Estimated principal repayments for the next five years are:

2004	$ 4,555
2005	2,833
2006	4,856
2007	1,152
2008	1,741
	$ 15,137

For the fiscal periods ended December 31, 2003, December 31, 2002 and June 30, 2002, the Fund did not incur net interest expense on working capital borrowings, as average monthly cash balances exceeded average borrowings.

The Fund has outstanding letters of credit totaling $13,835,000 (December 31, 2002 - $12,800,000) which mature at various dates to October 21, 2004.

For 2003 and 2002, the Fund has available lines of credit of $25,000,000, subject to margin calculations. The outstanding letters of credit are considered a part of this facility.

5. UNITHOLDERS' CAPITAL

An unlimited number of Fund Units and LP Units may be created and issued, pursuant to the Fund Declaration of Trust and the Amended and Restated Limited Partnership Agreement, respectively, as outlined in the Plan of Arrangement.

Fund Units represent an undivided interest in the Fund. LP Units represent a partnership interest in Parkland Holdings Limited Partnership and are exchangeable on a one-for-one basis into Fund Units. Both Fund Unitholders and LP Unitholders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Trustees.

	December 31, 2003 Units	December 31, 31, 2002 Units	June 30, 2002 Units
CLASS B LIMITED PARTNERSHIP UNITS			
Balance, beginning of period	5,574,219	6,929,820	–
Issued upon exchange of common shares	–	–	6,929,820
Exchanged for Fund Units	(163,164)	(1,355,601)	–
Balance, end of period	5,411,055	5,574,219	6,929,820
FUND UNITS			
Balance, beginning of period	6,552,494	5,196,893	–
Issued upon exchange of Class B Limited Partnership units	163,164	1,355,601	–
Issued under Distribution Reinvestment Plan	5,195		–
Issued upon exchange of common shares	–	–	5,155,156
Issued as special compensation	–	–	41,737
Balance, end of period	6,720,853	6,552,494	5,196,893
	12,131,908	12,126,713	12,126,713

The Fund has an Incentive Option Plan under which the Fund may grant up to 1,000,000 Incentive Options to trustees, directors, officers, employees and consultants. The incentive options have a 10 year term and, with limited exceptions, vest proportionately over the first three anniversary dates following the grant.

The table below represents the status of the Fund's Incentive Option Plan as at December 31, 2003 and the changes therein for the year then ended:

	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	–	
Granted	381,000	$13.01
Options exercised	–	
Cancelled	(20,000)	$12.45
Balance, end of year	361,000	$13.04
Exercisable options at end of year	–	

Exercise prices for outstanding options at December 31, 2003 range from $12.45 to $17.62 which represent market value at the date of issue.

The corresponding remaining contractual life for these options ranges from 9 – 10 years.

The Fund accounts for its grants of options in accordance with the fair value based method of accounting for stock based compensation. The total cost to be reported is $112,150. The compensation cost that has been charged against income for the year ended December 31, 2003 is $29,217.

The fair value of the options granted is estimated using the Black-Scholes options pricing model on the basis of the following assumptions:

Expected average annual distribution	$1.68
Expected average volatility	20%
Weighted average risk-free interest rate	3.57%
Expected life	3 years

The weighted average fair value of options granted during the year is $0.31.

Subsequent to December 31, 2003 the Fund has granted an additional 160,000 Unit Options under the Incentive Option Plan.

6. INCOME TAXES

Income tax expense varies from the amounts that would be computed by applying the Canadian Federal and Provincial income tax rates to earnings before provision for income taxes as shown in the following table:

	12 Months December 31, 2003		6 Months December 31, 2002		12 Months June 30, 2002	
	Amount of	%	Amount of	%	Amount of	%
Provision for income						
taxes at statutory rates	$ 7,477	36.62	$ 4,159	39.12	$ 7,568	39.57
Add (deduct) the tax effect of:						
Income earned in limited partnership	(7,140)	(34.97)	(3,018)	(28.38)	(191)	(1.00)
Processing rate adjustment	–	–	(97)	(0.92)	(764)	(3.99)
Large Corporation Tax/						
Capital Taxes	50	0.25	175	1.65	185	0.97
Change in tax rates	(90)	(0.44)	–	–	141	0.74
Non-allowable amortization	–	–	–	–	122	0.64
Non-deductible expenses	–	–	–	–	21	0.11
Other	(14)	(0.07)	–	–	152	0.80
	$ 283	1.39	$ 1,219	11.47	$ 7,234	37.84

Capital assets and inventories held directly by the Limited Partnership, having carrying values of $50,448,172 (December 31, 2002 – $48,641,664) and $7,064,007 (December 31, 2002 – $7,954,280), have a tax basis of $46,229,430 (December 31, 2002 – $43,986,605) and $7,766,809 (December 31, 2002 – $8,920,224), respectively.

Future income tax liabilities amounting to $6,658,000 (2002-$6,559,000) relate to the difference in carrying value of the refinery assets to the tax basis. The refinery assets are held by Parkland Refining Ltd., a wholly owned subsidiary of the Fund.

7. COMMITMENTS

The Fund is committed to total minimum rentals in the amount of $4,153,746 under operating leases for land, buildings and equipment. Minimum lease payments for each of the five succeeding years are as follows:

2004	$ 1,400
2005	1,107
2006	786
2007	559
2008	227

The Fund has commitments under its primary fuel supply contracts to purchase minimum quantities of fuel on an annual basis. There are provisions in the contracts for financial penalties for non-compliance, however the Fund expects to be able to continue to meet its minimum volume commitments for the foreseeable future.

8. FINANCIAL INSTRUMENTS

The fair value of accounts receivable, bank indebtedness, accounts payable and income taxes payable are equal to their carrying values due to their short term maturities. The fair value of long-term bank loans equal their carrying values as their interest rates fluctuate with the prime lending rate. The Fund may elect to utilize interest rate swaps and make non-permanent repayment of the loans. The carrying values and fair values of mortgages payable, capital lease obligations unsecured notes payable and other assets, which consist primarily of mortgages and loans receivables, are as follows:

	December 31, 2003		December 31, 2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages payable	$ 7,007	$ 7,044	$ 8,081	$ 8,114
Capital lease obligations	6,702	6,721	7,607	7,615
Notes payable	240	241	407	409
Mortgages and loans receivable	1,570	2,035	1,306	1,788

Fair values of mortgages and loans receivable, and long-term debt are estimated using discounted cash flow analysis based upon incremental borrowing rates for similar borrowing arrangements.

The Fund does not have a significant exposure to any individual customer. The Fund reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. Mortgages and loan receivables are receivable in monthly installments of $16,195, bear interest at rates ranging between 0 and 14 percent and are secured by specific assets of the mortgage.

9. GOODWILL

During the fiscal period ended December 31, 2002, the Fund adopted changes in accounting policies for goodwill and intangible assets as prescribed by changes to CICA Handbook Sections 3062, 3063 and 1581. Prior to the adoption of these policies, the Fund recorded any excess of consideration paid over the fair value of assets acquired as goodwill. This goodwill was then amortized on a straight-line basis over 10 years. The goodwill pertained entirely to the Fund's fuel marketing segment.

As a component of this change, assets initially recorded as goodwill were reviewed and, where relevant, reclassified as other intangible assets including customer lists, leases and non-competition clauses. The

amortization period for these intangible assets was also reviewed to determine if it was consistent with the 10 year period utilized for goodwill. Additionally, the Fund performed impairment tests for the asset groups acquired to determine if any remaining goodwill and intangible assets required the recognition of an impairment loss. In those circumstances where a lease or agreement had expired or a station had been sold, closed or rebranded, the related intangible was determined to have been impaired.

As a result of this change in accounting policy, the Fund has reduced opening unitholders' capital by $3,593,435. Prior years statements have not been restated.

10. NET CHANGES IN NON-CASH WORKING CAPITAL

	December 31, 2003	December 31, 2002	June 30, 2002
Accounts receivable	$ (149)	$ 8,426	$ (5,662)
Inventories	(595)	(585)	3,680
Prepaid expenses	(352)	162	(70)
Accounts payable	5,456	(18,836)	6,633
Income taxes payable	(978)	(942)	(287)
	$ 3,382	$ (11,775)	$ 4,294
Other Cash Flow Information:			
Cash taxes paid	$ 1,028	$ 72	$ 6,717
Cash interest paid	$ 897	$ 462	$ 794

11. SEGMENTED INFORMATION

The Fund's operations are predominantly in fuel marketing in Western Canada. In recent years, the Fund initiated operations in the convenience store industry.

The convenience stores have been integrated into fuel marketing properties already owned by the Fund, and all continue to market transportation fuels. Due to the amount of common operating and property costs it is not practical to report these segments below the gross margin.

Similarly, it is not practical to segregate capital expenditures or cash flows from these segments.

	Fuel Marketing	Merchandise	Total
TWELVE MONTHS ENDED DECEMBER 31, 2003			
Net sales and operating revenues	$ 535,960	$ 31,266	$ 567,226
Cost of sales	466,578	23,226	489,804
Gross margin	$ 69,382	$ 8,040	$ 77,422
SIX MONTHS ENDED DECEMBER 31, 2002			
Net sales and operating revenues	$ 247,632	$ 12,596	$ 260,228
Cost of sales	212,735	9,568	222,303
Gross margin	$ 34,897	$ 3,028	$ 37,925
TWELVE MONTHS ENDED JUNE 30, 2002			
Net sales and operating revenues	$ 424,969	$ 17,590	$ 442,559
Cost of sales	358,270	12,777	371,047
Gross margin	$ 66,699	$ 4,813	$ 71,512

Fiscal Period Review

($000's except per unit information)	12 Months December 31, 2003	6 Months December 31, 2002	12 Months June 30, 2002
Net Sales and Operating Revenue	$ 567,226	$ 260,228	$ 442,559
Gross Margin	77,422	37,925	71,512
Earnings Before Income Taxes	20,418	10,632	19,125
Net Earnings	20,135	9,413	11,891
Earnings Before Interest, Taxes, Depreciation and Amortization	28,848	14,772	27,586
Cash Flow from Operations	27,901	13,291	20,363
Maintenance Capital Expended	5,948	1,956	
Cash Available for Distribution	21,953	11,335	
Cash Distributed Including Provision for Distribution Declared December 31	20,376	10,186	
Per Unit			
Net Earnings – Basic	$ 1.66	$ 0.78	$ 1.08
Net Earnings – Diluted	1.65	0.78	1.08
Earnings Before Interest, Taxes, Depreciation and Amortization	2.38	1.22	2.51
Cash Available for Distribution	1.81	0.93	

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Annual General Meeting
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4 p.m. at the Black Knight Inn
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Red Deer, Alberta

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RANDY K. NICHOLLS
Controller, Wholesale

JOHN G. SCHROEDER
Vice President and CFO,
Corporate Secretary and
Chief Privacy Officer

ANDREW B. WISWELL
President and
Chief Executive Officer

Wholly-Owned Subsidiaries
Parkland Investment Trust

986413 Alberta Ltd.

Parkland Holdings
Limited Partnership

986408 Alberta Ltd.

Parkland Industries
Limited Partnership

Parkland Industries Ltd.

Parkland Refining Ltd.

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